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Debtor and debtor-in-possession
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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK
AT BROOKLYN

74-3159626

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In re

Chapter 11

CANAL SANITATION, INC.,

Case No. 06-43527-JF

Debtor.

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**STIPULATION AND ORDER SETTLING NEW YORK STATE
DEPARTMENT OF TAXATION & FINANCE PART SECURED,
PART PRIORITY AND PART UNSECURED TAX CLAIM #11
AND APPROVING PAYMENT ARRANGEMENTS WITH RESPECT TO
ADMINISTRATIVE CLAIM #45, AMENDED BY PROOF OF CLAIM # 49**

WHEREAS, Canal Sanitation, Inc., the above-captioned Debtor, (the “Debtor”) commenced this case by filing a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) on September 25, 2006 (the “Petition Date”);

WHEREAS, on February 2, 2007, New York State Department of Taxation & Finance (“NYS”) filed an Amended Proof of Claim #11, amending its original claims # 3,4,5,9 & 10;

WHEREAS, NYS is holding a part secured tax claim in the amount of \$1,695,640.48, part priority tax claim in the amount of \$156,545.46 and part unsecured nonpriority tax claim against the debtor in the amount of \$33,407.10 pursuant to claim # 11. NYS has agreed to settle its claim against the Debtor for eight hundred sixty four thousand dollars (\$864,000.00) payable over the course of six (6) years under the Debtor’s Plan of Reorganization.

WHEREAS, NYS also holding an administrative claim against the Debtor, pursuant to claim #45, had agreed to have its claim paid over the course of six (6) years under the Debtor's Plan of Reorganization pursuant to the Stipulation dated October 10, 2008 and docketed as #90 (**Exhibit A**).

WHEREAS, subsequently on November 24, 2008, NYS had filed an administrative claim #49 against the Debtor which is the latest claim filed reflecting the administrative claim amount. The claim was filed for \$648,726.77.

WHEREAS, on December 1, 2008, Neil S. Mann, Assistant Attorney General had signed a Letter with regards to the treatment of the administrative claim #49, agreeing to the fact that claim #49 will be paid pursuant to the previous Stipulation and Order. The Letter was filed on December 1, 2008 and is docketed as # 96 on the docket report.

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED TO, by and among the parties hereto, by their respective counsels of record, as follows:

1. That New York State Department of Taxation & Finance will be paid eight hundred sixty four thousand dollars (\$864,000.00) over six (6) years under Debtor's Plan of Reorganization in full and final satisfaction of its claim #11, which was filed as a \$1,695,640.48 secured; \$156,545.46 priority; and \$33,407.10 general unsecured claim.
2. That New York State Department of Taxation & Finance will have its administrative claim #49, filed in the amount of \$648,726.77 paid over six (6) years under the Debtor's Plan of Reorganization.
3. Upon the Effective Date of the Debtor's Plan of Reorganization, the liens held by NYS will be vested in the Debtor, and the Debtor will be released of all the liens upon the full payment of the agreed upon amounts.

LAW OFFICES OF STEPHEN B. KASS, P.C.
Attorneys for Debtor

NEW YORK STATE ATTORNEY
GENERAL'S OFFICE ATTORNEYS
FOR NEW YORK STATE
DEPARTMENT OF
TAXATION & FINANCE

By: /s/ Stephen B. Kass
Stephen B. Kass (sk 7735)

By: /s/ Neal S. Mann
Neal S. Mann
Assist. Attorney General (NM-0617)

Dated: New York, New York
December 2, 2008

Dated: New York, New York
December 2, 2008

SO ORDERED:

s/Jerome Feller
THE HONORABLE JEROME FELLER
UNITED STATES BANKRUPTCY JUDGE

Dated: Brooklyn, New York
February 3, 2009